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ABSTRACT

California's image as the Golden State is based largely on its rapid population and economic growth. However, recent trends show an aging population, a decline in population growth, a reduction in the number of migrants from other states, and a dramatic increase in foreign-born residents. Since 1960, the state's growth rate has slowed considerably, declining to 2.4 percent per year during the 1960s and to 1.7 percent during the 1970s. Natural increase (the difference between births and deaths) contributes more to the state's total growth than any other factor--55 percent during the last two decades. During the 1970s, the number of migrants from other states declined. The 1980 census recorded a doubling of the state's foreign-born population. California women are having fewer children primarily due to their increasing participation in the labor force. Changes in fertility, migration, and immigration are restructuring the state's age and ethnic profiles; and these changes will help shape the state's policy agenda for the rest of the century. Impacts will be felt in education, child care, health services, the labor force, tax revenues, and public service expenditures. Tables illustrating population change are included throughout the report. (SM)

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A RAND NOTE

CALIFORNIA'S DEMOGRAPHIC FUTURE

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In the past, rapid population and economic growth have enabled California to benefit from its demographic and economic diversity. Today that diversity increases while growth slows down. Recent trends show an aging population, a decline in population growth, a reduction in the number of migrants from other states, and a dramatic increase in foreign-born residents. California women are having fewer children—primarily because of their increasing participation in the labor force—although fertility rates vary by ethnic group.

Changes in fertility, migration, and immigration are restructuring the state's age and ethnic profiles, and these changes will help shape the state's policy agenda for the rest of the century. Impacts will be felt in education, child care, health services, the labor force, tax revenues, and public services expenditures.

Since the discovery of gold at Sutter's Mill in 1848, California has been viewed as the Golden State, where anything is possible. This image persisted through the Great Depression when migrants deserted the dust bowl to build a new life and future in the West. It flourished after World War II when legions of veterans, exposed to California's lures during the war, chose to settle here rather than return home. Although California had experienced earlier growth periods, nothing quite matched that post-war boom. The state's population nearly tripled. Southern California, where the boom was centered, underwent a population explosion. For a state already predisposed to view itself as the land of opportunity, this experience confirmed the image that growth and prosperity were the natural order of things.

In the 1980s this image persists, nourished by continued economic and population growth and dominance in the nation's rapidly growing high-tech industries. Recent demographic events, however, may challenge this image. Migrants still view the state as the promised land, but those migrants now come from Latin America and Asia rather than Oklahoma or Iowa. The state's two largest

metropolitan areas, Los Angeles and San Francisco, are growing at a pace more typical of the old industrial belt than the sunbelt. Recent social trends, in which California traditionally has led the nation, promise declines in the number of traditional families, a rising incidence of divorce, a soaring frequency of childbearing outside marriage, and an increasing shift from family to non-family households. California, perhaps the foremost home of the culture of youth, also finds its population aging rapidly.

These contrasts between image and reality result from rapid demographic change. During the 1970s the United States experienced a virtual storm of demographic change, and California was in the eye of that storm. This paper will describe those changes, suggest why they have occurred and whether they will continue, and, most important, indicate what they could mean for the future.

The Changing Shape of Population Growth

California's image as the Golden State is based largely on its phenomenal record of growth. From fewer than 1.5 million residents at the turn of the century, the state had grown to over 23.5 million by 1980—an average increase of 3.5 percent per year. (The nation as a whole averaged only 1.4 percent growth during that period.) Since 1960, however, the state's growth rate has slowed considerably, declining to 2.4 percent per year during the 1960s and to 1.7 percent during the 1970s. Although still growing somewhat faster than the nation as a whole, California no longer experiences the super-heated growth that merits its title as the Golden State.

Population growth results from natural increase (the difference between births and deaths) and net migration (the difference between moves into and out of the state). Natural increase has dropped nationwide, but this decline in natural increase explains a surprisingly small fraction of the growth slowdown in California. Table 3-1 compares historical changes in three groups of state residents: residents born in California; residents born in other states; and residents born outside the United States. Changes in the size of these groups reflect the shifting importance of natural increase, internal migration, and immigration during this century.

Table 3-1. California Population Growth, 1900-1980: Total Change and Components of Change by Decade

Decade	Total Growth	Percentage of Total Change		
		Calif. Born	Other U.S. Born	Foreign Born
1900-1910	60.1	27.2	48.3	24.7
1910-1920	44.1	34.7	49.1	16.2
1920-1930	65.7	29.7	56.3	14.0
1930-1940	21.7	48.1	63.8	-12.0
1940-1950	53.3	37.2	58.3	4.5
1950-1960	48.5	46.6	48.6	4.8
1960-1970	26.9	55.1	35.0	9.9
1970-1980	18.6	56.6	-5.6	49.0

Source: U.S. Census of Population, 1960, 1970, and 1980.

Natural increase now contributes more to the state's total growth than any other factor—55 percent during the last two decades. Thus it is not surprising that the number of license plates proclaiming the driver a California native has proliferated over the last few years. The growing importance of natural increase is more a by-product of slower overall growth, however, than a surge in fertility. California's native-born population has been increasing at a decreasing rate since the baby boom reached its peak in the 1950s. Indeed, had California relied exclusively on natural increase, its annual growth rate during the 1970s would have been well below the national average (around 0.8 percent).

Internal migration, historically the dominant contributor to the state's growth, now siphons off more people than it adds. Between 1900 and 1960, migration from other states accounted for no less than 48 percent and, at times, as much as two-thirds of the state's intercensal population growth. Since 1960, however, the state's attraction for U.S. migrants has been waning, and during the 1970s the absolute number of migrants in the state actually declined.

Immigration is principally responsible for the state's ability to maintain its moderate growth. The 1980 census, for example, recorded a doubling of the state's foreign-born population between 1970 and 1980, and that count actually understates the true change in immigration because it excludes those foreign-born residents not

counted by the census.¹ Whatever the actual increase, it is clear that California has become the new entry point for the nation's immigrants, and this has enabled the state to avoid the pattern of slow growth or decline so typical of the older industrial states of the Northeast and North Central regions.

Projections for the future suggest that slow growth will continue for the rest of the century. The state's Department of Finance, for example, projects annual growth of 1.4 percent between 1980 and 2000, a rate somewhat lower than the 1.7 percent growth experienced during the 1970s. What actually happens, of course, will depend on future patterns of fertility, internal migration, and immigration.

The Slowdown in Fertility

Advocates of rapid growth will view California's recent fertility patterns with dismay. Women in the state, like their counterparts nationwide, are simply not having as many children as they did in the past. The fertility of California women remains below that needed for replacement—despite reports of a new baby boom.

Recent increases in the number of total births reflect less a resurgent popularity of childbearing than the movement of the baby-boom birth cohorts into the peak childbearing years. This is evident in Table 3-2, which shows how the number of children under age five and the number of women of childbearing age have changed since 1960. Although the number of children has risen slightly (8 percent), that increase lags far behind the growth in both the total number of women (77 percent) and the number of married women (43 percent). Correspondingly, the general fertility ratio has fallen 39 percent and the marital fertility ratio 24 percent since 1960.

Two features of this fertility decline suggest it will continue. First, all ethnic groups have experienced it. Second, women in the peak

1. A recent study by the Census Bureau estimates that the Bureau's count of slightly more than two million illegals nationwide included approximately one million who lived in California. We consider this a minimum estimate. See R. Warren and J. S. Passel, "Estimates of Illegal Aliens from Mexico Counted in the 1980 United States Census," paper presented at the annual meeting of the Population Association of America, Pittsburgh, Pa., April 1983.

Table 3-2. Components of California's Fertility Decline, 1960-1980

	Components by Year			Percentage Change	
	1960	1970	1980	1960-70	1970-80
Children, 0-4 years ^a	1568	1642	1698	4.7	8.3
Women, 15-44 years ^a	3218	4281	5702	33.0	77.2
Women, 15-44 years, ever married ^a	2540	2995	3636	17.9	43.2
Children per 1000 women	48.7	38.4	29.7	-21.1	-39.0
Children per 1000 women, ever married	61.7	54.8	46.7	-11.1	-14.8

Source: *U.S. Census of Population*, 1960, 1970, and 1980.

a. In thousands.

childbearing years have recorded the largest declines, as shown in Table 3-3. With the sole exception of young Latinas, fertility levels have declined universally between 1970 and 1980. Moreover, these declines are most pronounced among women in the peak childbearing years, 25 to 34, an age group whose numbers will drop

Table 3-3. Comparison of Fertility Levels^a by Ethnicity and Age, 1970 and 1980

	Fertility Rate by Ethnic Status					
	Year	Anglo	Asian	Black	Latino	All Women
Women, 15-24 years	1970	317	262	483	490	357
	1980	227	168	454	496	304
Women, 25-34 years	1970	1879	1648	2327	2450	2000
	1980	1160	1112	1630	1940	1344
Women, 35-44 years	1970	2623	2591	3149	3531	2801
	1980	2253	2212	2859	3233	2480

Source: *U.S. Census of Population*, 1970 and 1980.

a. Cumulative fertility rate (births per 1000 women.)

sharply in the future. Thus, barring some drastic and currently unforeseen increase in fertility rates, California should experience even lower fertility in the future.

Despite the current decline, substantial ethnic differences in fertility are likely to persist. Fertility has dropped most sharply among Anglos and Asians, who already had low fertility rates. Blacks and Latinos, in contrast, have higher fertility as well as age structures more conducive to higher fertility in the future. As a result, California can expect an increasing share of its declining overall natural increase to come from these groups.

Among the many factors that have contributed to lower fertility, the increasing labor force participation of women has been the most important.² Women's rising employment rates have been supported by liberalized attitudes towards women's roles, increased education, widespread availability of contraception and abortion, and legislation enabling women to work in jobs previously closed to them. These changes, in turn, have increased the costs of large families substantially. As a result, women are increasingly disinclined toward the large families of their mothers and grandmothers. Unless this trend in labor force participation reverses, fertility rates are unlikely to increase significantly. Thus, California will have to rely increasingly on migration for continued growth.

Migration

Americans have always been mobile, and this peripatetic tendency has affected California disproportionately. Recently, however, California has been losing its appeal for out-of-state migrants. Several factors may have contributed to this reduced popularity. First, migrants now appear to prefer smaller places,³ and California is among the most urbanized states of the Union. This "smaller is better" phenomenon is tied to a decentralization of employment and the higher economic and social costs of big-city living. Second, Americans are moving less frequently. In contrast to traditional rates

2. W. P. Butz and M. P. Ward, "Baby Boom and Baby Bust: A New View," *American Demographics*, 1(8):11-18, 1979.

3. K. F. McCarthy and P. A. Morrison, *The Changing Demographic and Economic Structure of Nonmetropolitan Areas in the United States*, Santa Monica, Ca., The Rand Corporation, 1979.

Table 3-4. Population Growth in California's Metropolitan and Non-Metropolitan Areas, 1960-1980

Metropolitan Areas and Central Cities by 1980 Population Size ^a	% Growth by Decade	
	1960-1970	1970-1980
Total metropolitan	27.8	17.7
More than 2,500,000	16.8	5.7
central cities	8.1	2.3
1,000,000 to 2,500,000	51.7	32.4
central cities	46.5	24.7
250,000 to 1,000,000	30.1	27.5
central cities	33.4	55.0
Less than 250,000	25.4	37.5
central cities	35.2	59.7
Total non-metropolitan	13.0	36.8
State	26.4	18.5

Source: U.S. Bureau of the Census.

a. Classification based on 1980 population size and metropolitan status.

of 20 percent, only 16 percent of all Americans have moved in recent years. This decline, which is too recent to have been thoroughly analyzed, may be due to the aging of the population (older Americans move less frequently than younger Americans), recent economic conditions (low real wage gains, high unemployment, and rapid inflation),⁴ or the increasing incidence of multiple-worker households (two-worker households face higher relocation costs and may be less willing to move). Finally, California has not been attracting new industry as fast as it once did. Projections by the Bureau of Economic Analysis suggest that the state's share of national economic growth may decline for the rest of the century.⁵

Regardless of its overall inability to attract migrants, however, California seems certain to witness uneven future growth. The national trend toward "smaller is better" appeared in California during the 1970s (see Table 3-4). The state's metropolitan areas, whose growth outpaced non-metropolitan areas throughout the 1960s, lost

4. The last period of slow economic growth in the nation's history, the 1930s, was also distinguished by reduced migration.

5. U.S. Department of Commerce, OBERs, *1980 Regional Projections*, Vol. 3, Washington, D.C., U.S. Government Printing Office, 1981.

that advantage in the 1970s. In addition, the state's smaller metropolitan areas grew faster than larger areas, and even the state's central cities grew faster in the smaller metropolitan areas. As natural increase continues to slow, and migration becomes the major determinant of population growth, the growth process will resemble a zero-sum game—one area's growth will come largely at the expense of some other area. This process will promote uneven growth and, perhaps, increasing competition among areas within the state.

The New Immigrants

Recently, California's demographic ace in the hole has been its attraction for immigrants. Immigration was responsible for almost half of the state's growth from 1970 to 1980. Symptomatically, California replaced New York as the preferred destination for the nation's legal immigrants midway through the decade.⁶

California's special attraction for immigrants is particularly noteworthy because the number of immigrants entering the United States has soared since passage of the 1965 Immigration and Nationality Act.⁷ During the 1970s, almost 400,000 legal immigrants entered the country annually. In addition, the number of illegal immigrants has been increasing sharply—perhaps to as much as 300,000 per year.⁸ In combination, the number of legal and illegal immigrants entering the country now approaches the highest levels in U.S. history.

The characteristics of recent immigrants have also been changing dramatically. Prior to the 1965 Immigration and Nationality Act, which abolished the old national origin quotas, the vast majority of immigrants entering the United States came from Europe. Subsequently, immigrants have increasingly come from Latin America

6. Immigration and Naturalization Service, *1980 Statistical Yearbook*. Washington, D.C., U.S. Government Printing Office, 1980.

7. D. Reimers, "Post-World War II Immigration to the United States: America's Latest New-comers," *Annals*, March 1981; C. B. Keely, "Illegal Immigration," *Scientific American*, 246(3):41-47, 1982.

8. Not all illegal immigrants enter the country illegally. A substantial number enter legally but violate the terms of their visas by working or by not leaving when their visas expire.

Table 3-5. California's Foreign-Born Residents by Area of Origin, 1960-1980

	Distribution by Year (%)		
	1960	1970	1980
Total foreign born	1,336,273	1,756,243	3,573,853
Europe	47.9	35.8	17.7
U.K.	9.6	7.4	3.7
Germany	7.1	6.0	3.2
Italy	7.7	4.6	1.9
USSR	5.1	3.2	1.6
Asia	11.8	15.7	24.5
Philippines	3.3	4.6	6.7
China	3.0	3.8	3.3
Korea	0.2	0.5	2.3
Americas	32.8	40.4	49.3
Mexico	18.6	23.4	35.8
Canada	11.2	8.8	4.6
Central	1.4	2.6	4.6
Other	2.0	2.3	1.8
Not reported	0.6	2.6	5.1

Source: U.S. Census of Population, 1960, 1970, and 1980.

and Asia. Indeed, by 1980 as many as 80 percent of the nation's legal immigrants arrived from Latin America and Asia.

These trends were strikingly evident in California during the 1970s, as shown in Table 3-5. Despite the fact that not all immigrants were counted in the 1980 census, the data show that California's foreign-born population more than doubled between 1970 and 1980. The ethnic origins of these foreign-born residents also shifted sharply. Before 1970 close to 50 percent came from Europe; by 1980 almost half came from the Americas and another quarter from Asia.

California's attraction for immigrants can be characterized quite readily. The state has a rich economy, is conveniently located, and has a long history of non-European migration. Since most immigrants (both legal and illegal) come to work, California's ability to generate jobs at almost twice the national average has acted as a strong magnet. In addition, California's location at the hub of the Pacific Basin and adjacent to Latin America has made it a natural entry point for today's immigrants. Finally, recent immigrants, like their predecessors from Europe, are drawn to places where their

countrymen have settled, and California has a long history of Asian and Latino settlement.⁹

Barring action by the U.S. Congress on immigration reform, the surge of immigrants seems certain to continue. The pool of potential Asian and Latino immigrants, for example, will almost certainly expand as their home countries struggle to cope with the conflicting pressures of rapid population growth and limited economic expansion—not to mention political turmoil. In addition, the transportation and communications networks that have facilitated expanding trade between California and Pacific Rim and Latin American nations have increased the awareness, accessibility, and desirability of California as a destination for potential migrants.¹⁰

Finally, California, like much of the nation, could face an impending shortage of entry-level labor in the coming decades. In contrast to the 1970s, when the influx of baby-boomers and women into the labor market created a rapidly expanding pool of new workers, future labor force growth will drop sharply as the baby-bust cohorts approach working age and as women's labor force participation levels off. Because immigrants offer a source of labor for the state's low-skilled manufacturing and service industries, businesses and officials may well encourage additional immigration.

The state's larger metropolitan areas are likely to bear the brunt of this new immigration. Ninety-five percent of the state's current immigrants live in metropolitan areas, and almost 60 percent have settled in the state's two largest metropolitan centers. Without these new immigrants, metropolitan Los Angeles and San Francisco, which together gained over 600,000 residents during the 1970s, would instead have lost over 400,000.

Changing Age and Ethnic Composition

These changes in fertility, internal migration, and immigration are restructuring the state's age and ethnic profiles. The extent of

9. K. F. McCarthy, *Immigration and California: Issues for the 1980s*, Santa Monica, Ca., The Rand Corporation, 1983.

10. K. F. McCarthy and D. F. Ronfeldt, *U.S. Immigration Policy and Global Interdependence*, Santa Monica, Ca., The Rand Corporation, 1982.

those changes can best be understood by comparing what has happened over the last twenty years with what the state can expect over the next twenty.

The state's age profile has been reshaped during the past two decades and will continue its transformation. Important changes will be felt by the school-age population (those under 25), the working-age population (those 15 to 64), and the retirement-age population (those over 65).¹¹ The school-age population, following explosive growth between 1960 and 1970, declined sharply in 1980. The working-age population, on the other hand, has increased in size consistently over the last ten years. Finally, the state's older population, which hardly changed at all during the 1960s, increased markedly during the 1970s. In the next twenty years the state's school-age population will continue to shrink, its working-age population will stabilize, and its retirement-age population will continue to grow, as shown in Tables 3-6, 3-7, and 3-8.

The composition of each age group will change as well. Among the school-age population, for example, the number of preschoolers, which dropped sharply over the past twenty years, will rise between 1980 and 1990 and then subside to 1980 levels by the end of the century. The decline in the state's elementary school population, which precipitated a rash of school closings during the late 1970s and early 1980s, will now reverse this trend as members of the "baby boomlet" generation reach school age (see Table 3-6). Finally, the state's secondary schools and colleges, which have prospered as a result of progressive increases in enrollment since 1960, face sharply declining enrollments for the next twenty years as their enrollment pool contracts.

The composition of the state's working-age population has also been changing, as shown in Table 3-7. To highlight these changes, we divide the working-age population into five subgroups. First are the new labor force entrants, ages 15 to 24, who are completing their schooling and entering the labor force. Second are the

11. This approach captures social reality more precisely than would mutually exclusive age categories. For example, the population aged 15 to 24 contains those enrolled in school and those who have already joined the labor force. Indeed, many individuals in these age groups both work and attend school. Similarly, individuals aged 65 to 69 are represented in both the working and retired populations.

Table 3-6. Profile of California's School-Age Population, 1960-2000

Age Group	Distribution (%) by Year				
	1960	1970	1980	1990	2000
Preschool (<5)	25.5	18.1	17.7	20.7	17.7
Primary (5-14)	44.0	42.7	35.6	39.8	41.4
Secondary and college (15-24)	30.5	39.2	46.7	39.5	40.9
Share of total population	43.6	45.4	40.7	36.7	36.2

Source: *U.S. Census of Population*, 1960, 1970, and 1980; estimates for 1990 and 2000 based on California Department of Finance projections.

Table 3-7. Profile of California's Working-Age Population, 1960-2000

Age Group	Distribution (%) by Year				
	1960	1970	1980	1990	2000
Entrants (15-24)	21.8	28.1	27.9	21.9	22.1
Early career (25-34)	22.3	21.2	26.4	26.2	20.0
Middle career (35-44)	23.7	18.8	17.4	24.1	23.8
Peak earners (45-54)	18.7	18.3	14.7	15.4	21.2
Pre-retirement (55-64)	13.4	13.6	13.6	12.4	12.9
Share of total population	61.0	63.3	68.2	66.1	67.1

Source: *U.S. Census of Population*, 1960, 1970, and 1980; estimates for 1990 and 2000 based on California Department of Finance projections.

Table 3-8. Profile of California's Senior Population, 1960-2000

Age Group	Distribution (%) by Year				
	1960	1970	1980	1990	2000
Early retirement (55-64)	48.2	48.9	47.9	41.2	41.2
Retirement (65-74)	34.2	31.2	32.0	35.2	30.8
Late retirement (75+)	17.6	19.9	20.1	23.6	28.0
Share of total population	17.0	17.6	19.4	19.9	21.1

Source: *U.S. Census of Population*, 1960, 1970, and 1980; estimates for 1990 and 2000 based on California Department of Finance projections.

early-career workers, ages 25 to 34, who are embarking on careers, forming families, and beginning full-time employment. Third are the mid-career workers, ages 35 to 44, who are establishing careers and raising families. Fourth are the peak-earnings workers, ages 45 to 54, who, as their label implies, are in mid-career and earning what will be for most their highest salaries. Finally, there are the pre-retirement workers, those over 55, whose children have mostly left home and who are preparing for retirement.

Prior to 1980, the state's labor force consisted increasingly of new entrants and early-career workers, whose share of the total climbed from about 44 to almost 55 percent. Given their relative inexperience and lower productivity, it is not surprising that the 1970s were marked by low productivity gains and little increase in real wages. However, as their relative numbers decline (to about 42 percent of the total) during the next twenty years, average earnings and productivity should increase. Complementary changes among prime-age workers (those in the mid-career and peak-earnings stages) should intensify this trend. Reversing their declining share between 1960 and 1980, prime-age workers will increase to 45 percent of the working-age population by the year 2000. Finally, the fraction of older workers, which remained virtually constant between 1960 and 1980, will decline steadily between 1980 and 2000. In sum, the state's work force should become more mature and more productive.

The state's seniors, whose share of the population will grow substantially between 1980 and the turn of the century, will also grow progressively older (see Table 3-8). Early retirees will decline from 48 to 41 percent of all seniors, those between age 65 and 74 will decrease from 34 to 31 percent, while the relative number of late retirees, those aged 75 and above, will increase from less than 18 to almost 30 percent of the state's older population by the end of the century.

Similar shifts will have occurred in the state's ethnic profile. These shifts, however, will not affect all age groups equally, as shown in Table 3-9. Higher fertility and more rapid immigration among Latinos and Asians, for example, will cause their share of the state's younger residents to climb sharply. The state's elementary and pre-school population will shift from 24 percent Asian and Latino in 1970 to 46 percent by the year 2000. Somewhat less dramatic

Table 3-9. Profile of California's Population by Ethnicity and Age, 1970-2000

	Distribution by Year (%)			
	1970	1980	1990	2000
0-14 years				
Anglo	67.38	55.36	49.16	46.67
Latino	20.91	28.71	33.44	35.46
Black	8.56	9.13	7.92	7.15
Asian	2.71	5.53	9.47	10.72
Total	100.00	100.00	100.00	100.00
15-64 years				
Anglo	75.82	68.08	60.86	54.02
Latino	14.37	17.96	22.77	28.33
Black	6.46	7.45	7.56	7.29
Asian	2.97	5.45	8.82	10.36
Total	100.00	100.00	100.00	100.00
65+ years				
Anglo	86.71	84.42	81.30	75.40
Latino	7.25	7.07	8.94	12.37
Black	3.86	4.71	5.28	5.61
Asian	1.98	3.29	4.49	6.62
Total	100.00	100.00	100.00	100.00

Source: U.S. Census of Population, 1960, 1970, and 1980; estimates for 1990 and 2000 based on Center for Continuing Study of the California Economy, "Projections of Hispanic Population for California, 1985-2000."

changes will occur in the state's working and older populations. Latinos will increase from 18 to 28 percent of the working-age population and from 7 to 12 percent of the older population, while Asians will increase their share of the working-age population from 5 to 10 percent, and of the older population from 3 to 7 percent. Anglos are the only group whose fraction of the total population will decline in all age categories.

Families and Households

In addition to slower overall growth and changing age and ethnic structures, the state can expect major changes in families and

household composition during the next decade. Specifically, household size will continue to shrink, non-family households should increase faster than family households, and traditional family lifestyles will continue to change.

Households have been shrinking nationally for two decades as fertility rates have plummeted, divorce rates have skyrocketed, and marriage ages have risen. Between 1970 and 1980, for example, the average American household declined from 3.1 to 2.7 persons. According to Census Bureau projections, it will dip to 2.3 persons by 1990. Households in California have mirrored this national pattern over the past twenty years and should continue to do so for the next twenty.

Smaller households, however, are not simply shrunken versions of larger ones. Between 1960 and 1980 California's households were not only getting smaller, they were also reconfigured (Table 3-10). The balance between traditional and nontraditional households shifted steadily toward the latter. Married couples with children failed to keep pace with total household growth and now constitute only about one-quarter of all households. In addition, despite rising childlessness and delayed childbearing within marriage, married couples without children barely kept pace. In contrast, such nontraditional households as other family households (primarily single parents with their children) and non-family

Table 3-10. Changes in Household Structure, California, 1960-1980

Type Household	Distribution by Year (%)		
	1960	1970	1980
Family	79.9	75.9	69.2
Husband-wife, child ^a	41.8	35.6	27.7
Husband-wife	28.8	29.3	28.2
Other	9.3	11.0	13.3
Non-family	20.1	24.1	30.8
Living alone	15.0	18.0	24.6
Total households	4,928,108	6,588,462	8,644,633

Source: *U.S. Census of Population*, 1960, 1970, and 1980.

a. Children less than 18 years of age.

households have flourished.¹² These changes reflect rising divorce rates, increased childbearing outside marriage, and the explosion in single-person households—primarily older women living alone. Another contributing factor has been an increase in what the Census Bureau labels "POSSLQs" (Persons of the Opposite Sex Sharing Living Quarters). Still a small fraction of the total, such households are an increasingly important phenomenon in today's society.

Although changes in household structure stand out, equally important shifts have occurred in family lifestyles. Today's couples, for example, are far more likely than their parents to have lived alone or with a partner before marriage. Such experiences influence attitudes toward childbearing, acceptable lifestyles, and the permanency of marriage. In addition, both spouses in today's husband-wife household are far more likely to be working and thus to have less time for child care and traditional household responsibilities. Finally, an increasing share of married couples with children are blended families formed by remarriage. Such families consist of varying combinations of natural parents and their children, step-parents, and step-children—a phenomenon that produces conflicting loyalties and complex childrearing obligations.

These changes in family structures and lifestyles reflect the diverse social and economic trends now underway. Consider, for example, the increasing independence that working outside the home has provided both married and unmarried women. This independence affords single women the freedom to postpone marriage or to start a family without benefit of a marriage partner. It encourages married women to delay starting a family or to leave an unhappy marriage and set out on their own. Similarly, changing attitudes toward families, childbearing, and traditional sex roles have led both men and women to postpone marriage, remain childless, and to divorce and remarry with increasing frequency. Finally, higher pension and Social Security incomes have enabled many more widows and widowers to maintain separate households after a spouse dies. Unless the recent pace of social change slows, we can expect family and household changes to continue.

12. Non-family households consist of single adults living alone or unrelated adults occupying the same housing unit.

Table 3-11. Women's Labor Force Behavior, California, 1940-1980

Year	Participation Rates (%) by Age				
	18-24	25-34	35-44	45-64	65+
1940	38.0	33.5	31.5	25.2	6.2
1950	41.0	34.3	39.0	33.0	7.5
1960	44.7	37.0	45.3	44.2	9.9
1970	61.7	53.7	57.9	51.9	9.4
1980	66.8	67.2	67.3	50.9	8.2

Source: U.S. Census of Population, 1960, 1970, and 1980.

Feminization of the Labor Force

Many of the demographic changes described thus far are associated with the so-called feminization of the labor force. The importance of this phenomenon is suggested by women's steadily increasing share of national employment totals: from 27 percent at the conclusion of World War II to 38 percent in 1970 and 42 percent in 1980. If current trends continue, women will constitute close to half of the labor force by 1990.¹³

The steady increase in the number of working women has radically altered the way women divide their time between the home and the labor market over the family life cycle. Table 3-11 provides insight into the nature of this change among California women. In 1940 less than one-third of all women were in the labor force and most of those were young women. As they married and started families, they dropped out of the labor force and few returned after their children were grown. By 1950, more women were working before marriage and more appeared to be re-entering the labor market after their children left home. Since 1960, women have been working in progressively larger numbers before marriage, leaving the labor force for shorter periods, and returning in greater numbers after completing their childbearing. By 1980, women appear to remain in the labor force even during their peak childbearing years.

13. Given this increase and the rapid growth of the country's minority population, it should not be surprising that white males held less than 50 percent of all jobs in 1983 for the first time in the nation's history.

The most surprising aspect of this recent change is that it has occurred while labor markets were being flooded by the entry of the baby-boom cohorts and an increased number of immigrants. The national shift toward a service-based economy has, no doubt, abetted this trend, since service industries employ many more women than the manufacturing sector. Rapid inflation during the late 1970s may also have provided an incentive for women to work in order to maintain their families' standard of living. Finally, increased education, changes in social attitudes toward working women, and equal opportunity legislation may also have contributed to this trend.

The availability of adequate and affordable child care could promote continued growth in labor force participation by women. Currently, only 20 percent of the nation's working mothers use some form of institutional day care. The majority of working mothers rely instead on family or friends to take care of their children. If the trend toward higher participation rates is to continue, this situation may have to be addressed.

While it may be premature to predict that women's participation rates will increase for the rest of the decade, several trends that have stimulated the increase seem certain to continue. National employment within the service sector is projected to grow rapidly. The attitudinal and legislative changes that have supported this increase are unlikely to be reversed. Finally, it seems unlikely that the additional consumption power that a second income provides most married couples will be surrendered easily. Thus we might expect participation rates to continue to climb, although it is uncertain how high they can rise, given their currently high levels.

Policy Implications of Demographic Trends

Demographics alone do not determine the future, but they can make some futures more likely than others. We can expect California's unfolding demography to play a major role in shaping the state's policy agenda for the rest of the century. This final section discusses several issues that demographic changes will raise for California's economy, public sector, and social environment.

The state's economy will benefit considerably from recent trends. First, the labor force will mature as the fraction of younger and

older workers declines while that of prime-age workers increases. A more experienced labor force should boost productivity and wages. In light of current differentials in wage levels by experience, this compositional shift could produce close to a 10 percent increase in per capita wage income.¹⁴ Second, the rising incidence of working wives will not only add more workers to the labor pool, but will stimulate the growth of two-worker households. Because such couples tend to be affluent they will spur consumer demand for a variety of goods and services. Currently, households in which both spouses work earn an average of \$8,800 more than comparable couples in which the wife is not employed. Thus, a 10 percent increase in the incidence of two-worker households could increase the state's aggregate income by almost \$2 billion. Finally, recent immigration, particularly from Asia, includes some of the most skilled immigrants in the nation's history.¹⁵ These new immigrants supply the state's economy with needed skills as well as an infusion of energy and entrepreneurial spirit.

The situation will not be entirely felicitous, however, because the same age shifts that will produce a more mature labor force could also tighten entry-level labor markets. During the 1970s California added about 310,000 jobs annually. If this rate were to continue for the next ten years and the state's 15 to 24 year olds were to enter the labor force at the same rate as their predecessors a decade earlier, the state could face an annual shortage of approximately 80,000 workers, simply because the potential supply of new entrants will begin to decline sharply. If the growth in new jobs accelerates by 10 percent, the deficit would exceed 100,000 workers annually; if growth slows by 10 percent the deficit would still be 50,000 a year.

The state will draw upon several sources to avoid the labor shortage, but each alternative has inherent problems. Continued high levels of immigration, for example, could completely fill the potential shortfall. During the 1970s, immigration added close to

14. U.S. Bureau of the Census, *Lifetime Work Experience and Its Effects on Earnings*, Current Population Reports, Series P-23, No. 136, Washington, D.C., U.S. Government Printing Office, 1984.

15. C. B. Keely, "Effects of U.S. Immigration Law on Manpower Characteristics and Immigrants," *Demography*, 12:179-191, 1975.

90,000 new workers a year to the state's employment total.¹⁶ Continued high levels of immigration will almost certainly engender opposition from labor unions and other groups. Moreover, there is a question whether the skills that most immigrants bring with them will match those needed by the economy. Special training programs—much like the job training programs instituted for native-born minorities during the Great Society era—may thus be needed to take full advantage of this resource. If industry does the training, it will raise labor costs. If government does the training, it may require increased taxes. Moreover, immigrants' limited English language skills may make such training very expensive.

Out-of-state migrants have traditionally provided a rich source of labor. The state's inability to attract migrants in recent years however, makes this an unlikely answer unless the trend reverses—perhaps by reducing housing costs, since housing in California is substantially more expensive than housing nationwide.

Women will undoubtedly play a significant role in satisfying the state's demand for labor. The growing number of women in the working ages, for example, could add almost 38,000 new workers to the state total at current participation rates. If they increased their participation by 10 percent, the potential entrants could number almost 90,000 annually—more than would be necessary to meet the state's labor demands. Given the current shortage of institutional day care, however, there is a question whether such an increase is feasible. Industry- or government-sponsored day care programs might facilitate increased participation by women in the work force.

An additional, if infrequently mentioned, possibility is part-time employment by currently retired workers. As retirement ages have declined and life spans increased for older Americans, the number of active retirees in the state has grown sharply. These retirees constitute an experienced and potentially valuable source of labor, particularly part-time labor. If, for example, the labor force participation rate of men between ages 55 and 64 increased by 10 percent, the state could gain about 16,000 additional workers per year

16. U.S. Bureau of the Census, *U.S. Census of Population: 1980*, vol. 1, *Characteristics of the Population, Part 6, California*, Washington, D.C., U.S. Government Printing Office, 1983.

between 1980 and 1990.¹⁷ In the short term, proposals to increase employment among voluntary retirees will almost certainly generate political opposition, as recent controversy over Social Security modifications attests.

The state's public sector, like its economy, may also find that demographic trends bring mixed blessings. The higher wages of a more productive and affluent labor force could produce a public more willing and able to support public services. Indeed, barring the passage of additional tax limitation measures, state tax revenues should rise. Any increase in resources, however, will likely be accompanied by new revenue demands, particularly from the schools and the health care delivery system.

The state's schools, following a period of declining enrollments and increased public criticism, face a new set of challenges. Elementary schools, whose enrollments declined consistently for most of the last decade, face a projected enrollment increase of 32 percent¹⁸ as the offspring of the baby boom reach school age. Secondary and post-secondary schools, on the other hand, will face additional enrollment declines of at least 6 percent before the end of the decade.¹⁹ This decline could intensify if higher entry-level wages make continued schooling a less attractive alternative for many secondary and post-secondary school youth.

Overall shifts in school enrollment are only one of the changes the state's schools are experiencing. The ethnic composition of the student body also has changed dramatically over the last decade. For example, while the state's public schools were experiencing a 3 percent decline in total enrollment between 1967 and 1977 (principally because of an 18 percent decline in Anglo enrollments) the number of Latino students climbed 45 percent and the number of Asian students increased 65 percent.²⁰ In the six-county southern California region, which contains almost half of the state's

17. When the baby-boom cohorts approach retirement age around 2010, pressures on pension programs and Social Security seem certain to result in increased labor force participation among older Americans. The ratio of working-age contributors to retired beneficiaries in the Social Security system will decline from 3.3 : 1 to about 2 : 1.

18. Project Pace, *Conditions of Education in California*, Palo Alto, Ca., 1984.

19. *Ibid.*

20. T. H. Foote, R. W. Espinosa, and J. O. Garcia, *Ethnic Groups and Public Education in California*, Sacramento, California School Finance Reform Project, 1978.

elementary and secondary students, white non-Latino students comprised barely 50 percent of total public and private school enrollment.²¹

At the same time as trends in total enrollment are reversing and student body composition is shifting, public demands for reforms are escalating. In combination, these trends seem certain to intensify the challenges facing public education.

At all levels schools will face a diverse and, in all likelihood, poorer student body if rapid immigration continues and ethnic fertility differentials persist. This situation will raise important questions about the methods schools should use to teach these children. For example, what curricula and instruction techniques to use? How to deal with the special problems of particular types of immigrant groups (e.g., refugees) who may need a host of special services? Should bilingual education be used? If so, for which groups, and at what cost? Finally, if the recent push for educational reforms continues and involves (as seems likely) some "objective" performance measures, how are schools to compare performance in districts with a heavy concentration of immigrants and minorities with those consisting almost exclusively of middle-class Anglos?

The prospects of continued immigration and changing family patterns could add new demands to the schools' list of traditional responsibilities. At the turn of the century schools were assigned the task of integrating immigrant children into U.S. society; they are being asked to do so again. That responsibility may extend to adult immigrants in the form of English language instruction, vocational training, and perhaps even classes in adjusting to American society. Changing family patterns may also impose new responsibilities on the state's schools. As more women work and as families become increasingly complex, the schools may assume (even if by default) responsibilities that were formerly handled in the home. These responsibilities could include: child care (expanding the school day to match the work day), emotional and psychological counseling for children of one-parent and blended families, and perhaps

21. Southern California Association of Governments, *Southern California: A Region in Transition: Impacts of Present and Future Immigration*, Los Angeles, 1984.

special enrichment classes and curricula (on a fee-for-service basis to the children of affluent two-worker couples who want the best education for their children and are willing to pay for it). How the schools respond to these pressures could raise important questions as to the fairness of charging for services that less affluent parents might want but cannot afford.

The state's health care system will also find itself facing new challenges. As California's older population expands and consists increasingly of residents over age 70, pressures for subsidizing their health care may build. Expenditures for personal health services for the elderly have increased by 135 percent since 1977, with hospitals consuming the largest share of this increase. The fastest growing segment of the elderly are those over 75, thus the rate of growth of expenditures could well accelerate because the late-retirement population suffers from chronic and disabling diseases that require medical care and support services in the form of home-maker assistance, meals-on-wheels, visiting nurses for those who live alone, and long-term care facilities for those who cannot.

Since hospitalization has been the single largest contributor to the escalation in health expenditures, one element of the health care delivery system that seems certain to increase is home health care for the elderly. Home health care is covered by Medicare, Medi-Cal, and private insurers and favored by these groups as a lower cost alternative to institutionalized care. To date home health care financed by Medicare has been concentrated among a fairly select group of elderly (those over 85); however, rising costs of care and increasing numbers of elderly seem certain to increase its use.

The state's nursing homes will also feel the pressures of an aging population. In 1982, California had only 1,151 licensed skilled nursing facilities with a total of 106,504 skilled nursing beds. The at-risk population, however, currently numbers over 4.6 million and is growing rapidly. As the gap between supply and demand for nursing care facilities increases, the already rapid increase in spending for nursing home care (13 percent per year since 1977)²² may well skyrocket. Patients and their families bear about half the

22. D. R. Wilks and H. C. Lazenby, "Demographic Characteristics and Health Care Expenditures by the Aged in the United States: 1977-1984," *Health Care Financing Review*, 6(1):1-29, 1984.

costs of this care, while Medi-Cal finances most of the balance. The state will face increasing political pressure to subsidize more of these costs.

The state's immigrants, especially its refugees and illegals, will place additional demands on the health care system. Many refugees, for example, combine special health problems with high welfare reciprocity rates. Although the federal government reimburses local governments for assistance provided during a refugee's first eighteen months of residency, an increasing share of refugee costs are no longer subsidized. In addition, the number of illegal immigrants in the state has grown and now contains more permanent settlers and their families. These developments seem certain to increase the demand for medical care—care that they cannot afford and that Medi-Cal will not reimburse given their immigration status.

Since many of these immigrants work at low-skilled jobs that do not provide health insurance benefits, and most will be unable to afford the high out-of-pocket costs of medical care in private hospitals and medical centers, they will almost certainly place a greater demand on public hospitals. The financial health of these institutions, however, is already threatened. The burden of uncompensated care—bad debts and charity care—has plagued county hospitals since the introduction of Medi-Cal contracting and the transfer of the medically indigent adult (MIA) program from the state to the counties. County hospitals experienced a 64.8 percent increase in uncompensated care between 1982 and 1983.²³ The clamping down of reimbursement rates over time (inherent in the no-net-increase contracting policy), together with the additional demands imposed by a growing population of refugees and immigrants, may place many of these hospitals in financial jeopardy.

These additional demands on the educational and health care systems will be felt unevenly across the state. The state's minority and immigrant populations are heavily concentrated in its larger metropolitan areas. In 1980, 22.3 percent of Los Angeles County's and 28.3 percent of San Francisco County's residents were foreign-born, compared to only 7.3 percent of Sacramento County's. If this

23. California Hospital Association, *Insights*, Vol. 8, No. 21 (July), 1984.

pattern continues (as seems likely), it will almost certainly raise questions as to the ability of the most affected areas to finance additional services and the willingness of the remainder of the state to pay part of the bill.

The most important challenge facing California in the coming decade will be coping with growing population diversity during a period of slower overall growth. Although Californians have never been homogeneous, the demographic trends discussed above point to an unprecedented future differentiation of the state's population along ethnic, age, family status, and regional lines. In the past, rapid population and economic growth have enabled the state to benefit from its diversity. Indeed, one noted commentator of California's history suggests that demographic and economic diversity gave the state a decided advantage over other states and made California "The Great Exception."²⁴

Diversity, however, also contains the inherent potential for generating conflict, and that potential may well be heightened in periods of slow growth when gains for one group are often viewed as defeats for other groups. When this occurs, public issues become emotionally charged and tend to assume a symbolic importance that limits the possibilities for effective dialogue and compromise—much like the debate over bilingual education during the 1970s and immigration policy reform in the early 1980s.

Although we cannot be certain how California will handle growing demographic diversity, the state will face a number of issues that could generate social and political polarization. The state's new ethics, perhaps in combination with working parents, are likely to demand that the schools institute programs to meet their special needs. At the same time, the state's elderly and their children may insist that the state deal with the growing financial burden of providing health care for a rapidly aging population. The state's older and slower growing urban areas, where an increasing share of minorities and the poor are concentrated, will be asking the state for increased aid to meet the service demands of their residents. Rapidly growing communities will be seeking assistance to install the

24. Carey McWilliams, *California: The Great Exception*, Santa Barbara, Ca., Gibbs M. Smith, 1976.

roads, sewers, and related infrastructure needed to accommodate their new residents. Finally, issues of political representation, affirmative action, and "comparable worth" will all have their own constituencies.

How the state accommodates its future demographic diversity will affect not only its residents' economic well-being but also the quality of life and the level of civility within the state. If the state deals successfully with that diversity, it will continue to merit its title of the Golden State.

RAND'S POPULATION RESEARCH CENTER

The Population Research Center was established in 1979 to advance the basic research aims of its sponsoring agency, the National Institute of Child Health and Human Development. The Center strengthens and focuses academic population studies within Rand's broader problem-solving environment.